

STATE OF SOUTH CAROLINA

(Caption of Case)

Application of South Carolina Electric & Gas
Company for Increases and Adjustments in Electric
Rate Schedules and Tariffs

223394
BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2009 - 489 - E

(Please type or print)

Submitted by: Tom Clements

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: _____

| INDUSTRY (Check one) | NATURE OF ACTION (Check all that apply) | | |
|--|--|--|--|
| <input checked="" type="checkbox"/> Electric | <input type="checkbox"/> Affidavit | <input checked="" type="checkbox"/> Letter | <input type="checkbox"/> Request |
| <input type="checkbox"/> Electric/Gas | <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certification |
| <input type="checkbox"/> Electric/Telecommunications | <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation |
| <input type="checkbox"/> Electric/Water | <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement |
| <input type="checkbox"/> Electric/Water/Telecom. | <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment |
| <input type="checkbox"/> Electric/Water/Sewer | <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response |
| <input type="checkbox"/> Railroad | <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery |
| <input type="checkbox"/> Sewer | <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition |
| <input type="checkbox"/> Telecommunications | <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation |
| <input type="checkbox"/> Transportation | <input type="checkbox"/> Discovery | <input type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena |
| <input type="checkbox"/> Water | <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff |
| <input type="checkbox"/> Water/Sewer | <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Administrative Matter | <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | |
| <input type="checkbox"/> Other: | <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | |
| | <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | |

April 12, 2010

Ms. Jocelyn Boyd
Interim Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Docket 2009-489-E, Application of South Carolina Electric & Gas Company for Increases and Adjustments in Electric Rate Schedules and Tariffs & Nuclear Rate "True-Up"

Dear Ms. Boyd,

Attached you will find an exhibit from the PSC docket of SCE&G's application on April 1, 2008, seeking approval for the company's proposed nuclear power project. This exhibit is relevant to the current docket involving the SCE&G rate increase request now before the Commission.

Exhibit M from Docket 2008-196-E (*Combined Application of South Carolina Electric & Gas Company for a Certificate of Environmental Compatibility and Public Convenience and Necessity and for a Base Load Review Order for the Construction and Operation of a Nuclear Facility in Jenkinsville, South Carolina*, at <http://dms.psc.sc.gov/dockets/dockets.cfc?Method=DocketDetail&DocketID=103552>) contains the proposed rate increase schedule to pay for the costly and unlicensed nuclear reactor project.

You will note in Exhibit M, Chart A that SCE&G presented information to the Commission that there will be an "Annual CWIP True-Up" on June 30 of each year. Exhibit M, Chart B reflects that SCE&G would seek a 2.8% rate increase in 2010 in order to pay for the nuclear reactor project. The Construction Work in Progress (CWIP) rate increases presented in this exhibit, to pay in advance for the nuclear reactors, would be a whopping 3.8% in 2011, 3.5% in 2012 and 4.0% in 2012. Under the controversial and unjust Baseload Review Act, which charges customers in advance for the nuclear project, SCE&G can request cost, rate and schedule adjustments for the nuclear project at any time.

Given the above information submitted to the Commission in Docket 2008-196-E and the PSC order approving the project, we can likely expect that a rate "true-up" for the nuclear project will be soon upon us and that there will be annual "true-ups" in the coming years. The relationship of these anticipated "true-up" nuclear rate increase requests to the current 9.52% rate increase request now before the Commission must be examined in full during the oral hearing on Docket 2009-489-E.

I have also attached an April 7, 2010 news article from WLTX-TV – *SCE&G May Increase Rates* – (at <http://www.wltx.com/news/story.aspx?storyid=85943&catid=2>) – which mentions the upcoming rate increase request for the nuclear project.

I certify that this letter and attachments have been mailed to all parties of record.

Sincerely,


Tom Clements
1112 Florence Street
Columbia, SC 29201

EXHIBIT M

YEAR-BY-YEAR REVENUE REQUIREMENTS AND PROJECTED RATE IMPACT OF INVESTMENT

**Combined Application of South Carolina Electric & Gas Company for a Certificate of Environmental Compatibility and Public Convenience and Necessity and for a Base Load Review Order
Public Service Commission Docket No. 2008-196-E**

1. INTRODUCTION

Exhibit M provides the year-by-year revenue requirements associated with SCE&G's investment in V. C. Summer Nuclear Station ("VCSNS") Units 2 & 3. **Exhibit M, Chart B**, provides the projected rate impact associated with the Units.

2. YEAR-BY-YEAR REVENUE REQUIREMENTS

Chart A of **Exhibit M** provides the year-by-year revenue requirements associated with the amount of Construction Work in Progress (CWIP) and of VCSNS Units 2 & 3 as set forth in **Exhibit F** to this Application and the in-service expenses set forth on **Exhibit O** to this Application. As required by the Base Load Review Act, the revenue requirements set forth on this **Exhibit M, Chart A** have been calculated using the weighted average cost of capital set forth on **Exhibit L** to this Application.

The outstanding CWIP balance and associated revenue requirement provided in **Exhibit M, Chart A** is measured as of June 30th of each year during the construction of VCSNS Units 2 & 3. The filing date of future revised rates proceedings, the designated date for measuring CWIP to be considered in each proceeding, the amount of capital actually expended by each designated date, and other factors may vary, and as a result, the timing and amount of CWIP reflected in future revised rates adjustments may vary.

3. PROJECTED RATE IMPACT OF INVESTMENT

Also attached to this **Exhibit M** is **Chart B** which provides an estimate of the future impacts of the CWIP and in-service expenses associated with VCSNS Units 2 & 3 on SCE&G's retail electric rates. To isolate the impact of the investment in VCSNS Units 2 & 3 from other factors, the current retail fuel factor is assumed to remain constant, as are the margin revenues generated per billing unit by retail electric base rates. However, projected growth in retail customers' demand and energy sales and the benefit of additional nuclear generator or fuel costs where VCSNS Units 2 & 3 connection line are reflected in the analysis. The projections in this **Exhibit M, Chart B**, also include the effects of estimated Federal Production Tax Credits. As

indicated in the notes to **Exhibit O, Chart A**, the Company intends at a future date to seek Commission approval to pass any available Federal Production Tax Credits through to customers by means of credits to electric fuel cost expenses.

Many of the factors related to this analysis and to future rate increases are subject to change over time. Those factors include the amount and timing of CWIP expenses and in-service expenses; the timing of revised rates filings; the amount of AFUDC included in capital costs; the rates of growth in demand and energy sales on SCE&G's system; the amount and timing of future base rate increases; changes in fuel costs and generation mix; changes in the cost of debt, cost of equity and capital structure that make up the weighted average cost of capital; and other factors. As a result, the actual rate increases associated with investment and operation of VCSNS Units 2 & 3 may vary from those reflected on **Chart B of Exhibit M**.

EXHIBIT M, Chart A

Schedule of Year by Year Revenue Requirements

**Combined Application of South Carolina Electric & Gas Company for a
Certificate of Environmental Compatibility and Public Convenience and
Necessity and for a Base Load Review Order**

(Thousands of \$)

| <u>Nuclear Construction</u> | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Totals |
|---|--|-----------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Construction Work in Process in Rates Cumulative | | \$ 71,848 | \$ 384,570 | \$ 524,227 | \$ 705,797 | \$ 775,704 | \$ 794,208 | \$ 764,233 | \$ 603,083 | \$ 553,068 | \$ 280,400 | \$ 185,851 | \$ 5,653,000 |
| | | \$ 71,848 | \$ 456,418 | \$ 980,645 | \$ 1,686,442 | \$ 2,462,146 | \$ 3,258,355 | \$ 4,020,588 | \$ 4,623,661 | \$ 5,176,748 | \$ 5,457,148 | \$ 5,653,000 | |
| Incremental Revenue Required | | \$ 8,988 | \$ 48,088 | \$ 65,585 | \$ 88,274 | \$ 97,017 | \$ 99,332 | \$ 95,583 | \$ 75,425 | \$ 69,178 | \$ 35,070 | \$ 24,495 | \$ 707,021 |
| Cumulative Revenue Required | | \$ 8,988 | \$ 57,084 | \$ 122,649 | \$ 210,923 | \$ 307,940 | \$ 407,272 | \$ 502,855 | \$ 578,280 | \$ 647,458 | \$ 682,526 | \$ 707,021 | |
| <u>Transmission Projects</u> | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Totals |
| Construction Work in Process in Rates Cumulative | | \$ - | \$ 192 | \$ 203 | \$ 3 | \$ 845 | \$ 10,010 | \$ 30,475 | \$ 61,879 | \$ 40,785 | \$ 88,345 | \$ 417,839 | \$ 680,376 |
| | | \$ - | \$ 192 | \$ 395 | \$ 398 | \$ 1,243 | \$ 11,253 | \$ 41,728 | \$ 103,407 | \$ 144,192 | \$ 242,537 | \$ 660,378 | |
| Incremental Revenue Required | | \$ - | \$ 24 | \$ 25 | \$ - | \$ 108 | \$ 1,252 | \$ 3,812 | \$ 7,714 | \$ 5,101 | \$ 12,300 | \$ 52,259 | \$ 82,583 |
| Cumulative Revenue Required | | \$ - | \$ 24 | \$ 49 | \$ 49 | \$ 155 | \$ 1,407 | \$ 5,219 | \$ 12,933 | \$ 18,034 | \$ 30,334 | \$ 82,583 | |
| <u>Total</u> | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Totals |
| Construction Work in Process in Rates Cumulative | | \$ 71,848 | \$ 384,762 | \$ 524,430 | \$ 705,800 | \$ 776,549 | \$ 804,219 | \$ 794,708 | \$ 664,742 | \$ 593,853 | \$ 378,745 | \$ 613,690 | \$ 6,313,376 |
| | | \$ 71,848 | \$ 456,610 | \$ 981,040 | \$ 1,686,840 | \$ 2,463,389 | \$ 3,267,808 | \$ 4,062,316 | \$ 4,727,058 | \$ 5,320,941 | \$ 5,689,686 | \$ 6,313,376 | |
| Incremental Revenue Required | | \$ 8,988 | \$ 48,122 | \$ 65,590 | \$ 88,274 | \$ 97,123 | \$ 100,584 | \$ 99,395 | \$ 83,139 | \$ 74,277 | \$ 47,370 | \$ 78,754 | \$ 789,614 |
| Cumulative Revenue Required | | \$ 8,988 | \$ 57,108 | \$ 122,698 | \$ 210,972 | \$ 308,095 | \$ 408,678 | \$ 508,074 | \$ 591,213 | \$ 665,490 | \$ 712,880 | \$ 789,614 | |

Assumptions:

| | |
|--|--|
| Gross Weighted Average Cost of Capital | 12.51% |
| Annual Base Load Review Filing | May 30 |
| Annual CWP True-Up | June 30 |
| Rate Effective | March 30, 2009, October 30, 2009, and annually on October 30 |

EXHIBIT M, Chart B

Retail Rate Impact Projections

Combined Application of South Carolina Electric & Gas Company for a Certificate of Environmental Compatibility and Public Convenience and Necessity and for a Base Load Review Order

(Millions of \$)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|
| Retail Margin Forecast (existing rates) | \$ 1,272 | \$ 1,303 | \$ 1,340 | \$ 1,373 | \$ 1,401 | \$ 1,365 | \$ 1,378 | \$ 1,392 | \$ 1,420 | \$ 1,449 | \$ 1,478 | \$ 1,508 | \$ 1,538 | \$ 1,559 | |
| Base Retail Fuel Costs @ existing rates | \$ 575 | \$ 618 | \$ 633 | \$ 650 | \$ 665 | \$ 657 | \$ 665 | \$ 673 | \$ 686 | \$ 700 | \$ 714 | \$ 728 | \$ 743 | \$ 754 | |
| Nuclear Fuel Cost Adjustment | | | | | | | | | | \$ (123) | \$ (123) | \$ (123) | \$ (255) | \$ (255) | |
| Production Tax Credits Applied to Fuel Costs | | | | | | | | | | | | | | | |
| Net | \$ 575 | \$ 618 | \$ 633 | \$ 650 | \$ 665 | \$ 657 | \$ 665 | \$ 673 | \$ 686 | \$ 452 | \$ 489 | \$ 540 | \$ 389 | \$ 401 | |
| Total Base Revenues | \$ 1,847 | \$ 1,921 | \$ 1,973 | \$ 2,024 | \$ 2,066 | \$ 2,022 | \$ 2,043 | \$ 2,065 | \$ 2,108 | \$ 1,901 | \$ 1,968 | \$ 2,048 | \$ 1,927 | \$ 1,960 | |
| Incremental Revenue Requirements-BLRA | \$ - | \$ 9 | \$ 48 | \$ 68 | \$ 88 | \$ 97 | \$ 100 | \$ 100 | \$ 83 | \$ 298 | \$ 53 | \$ 71 | \$ 216 | \$ - | \$ 1,229 |
| Cumulative Revenue Requirements-BLRA | \$ - | \$ 9 | \$ 57 | \$ 123 | \$ 211 | \$ 308 | \$ 409 | \$ 508 | \$ 591 | \$ 889 | \$ 942 | \$ 1,013 | \$ 1,229 | \$ 1,229 | |
| Gross Revenue | \$ 1,847 | \$ 1,930 | \$ 2,030 | \$ 2,146 | \$ 2,277 | \$ 2,330 | \$ 2,452 | \$ 2,573 | \$ 2,697 | \$ 2,790 | \$ 2,910 | \$ 3,061 | \$ 3,156 | \$ 3,189 | |
| Retail Sales | 22,150 | 22,764 | 23,300 | 23,958 | 24,476 | 24,200 | 24,482 | 24,784 | 25,268 | 25,778 | 26,298 | 26,822 | 27,356 | 27,774 | |
| Total \$/KWH | \$ 0.0834 | \$ 0.0848 | \$ 0.0871 | \$ 0.0896 | \$ 0.0930 | \$ 0.0963 | \$ 0.1001 | \$ 0.1038 | \$ 0.1067 | \$ 0.1082 | \$ 0.1107 | \$ 0.1141 | \$ 0.1154 | \$ 0.1148 | |
| Annual Rate Change | | 0.49% | 2.8% | 2.8% | 3.8% | 3.5% | 4.0% | 3.7% | 2.8% | 1.4% | 2.2% | 3.1% | 1.1% | -0.5% | 2.49% |

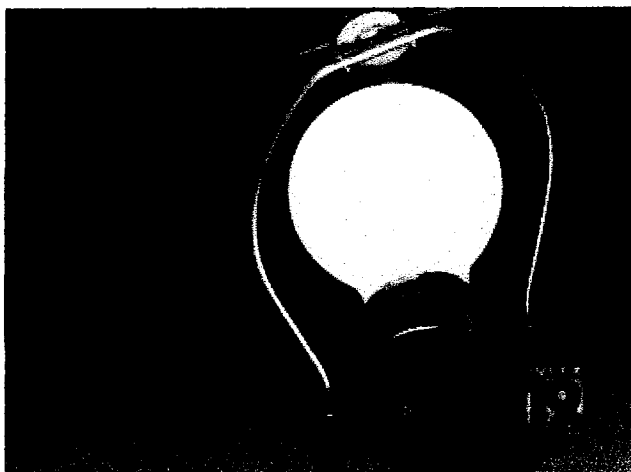
Incremental Revenue requirements in 2016 and 2019 include projected in-service costs

The forecasts listed here are indicative of the rate impacts that may be expected from construction and operation of VCSNS Units 2 & 3 on a stand-alone basis. These forecasts do not reflect overall rate changes during the period, which may include changes in such things as fuel costs, and base rates. In addition, actual rate impacts from the Units will vary based on such things as the actual rates of growth in customers and demand during the period, changes in SCE&G's cost of capital, changes in the amount and timing of investment in the Units, changes in in-service expenses, and other factors. Please see the introduction to the Exhibit for additional information.

wltx.com

SCE&G May Increase Rates

Ashleigh Walters Created: 4/7/2010 6:03:25 PM Updated: 4/7/2010 10:18:48 PM



Columbia, SC (WLTX) -- Your energy bills from SCE&G may soon reflect new rate increases. One rate increase is to pay for federally mandated improvements, the other is to pay for two nuclear plants the utility wants to build.

"We understand that this is a challenging time to ask for a rate increase," said Eric Boomhower, Public Affairs Manager for SCE&G. "We try to be as cost efficient and make as prudent decisions as we can."

He says SCE&G needs to build two nuclear plants to keep up with consumer demand, which will cost about \$6.3 billion with inflation.

The increase will be filed sometime this

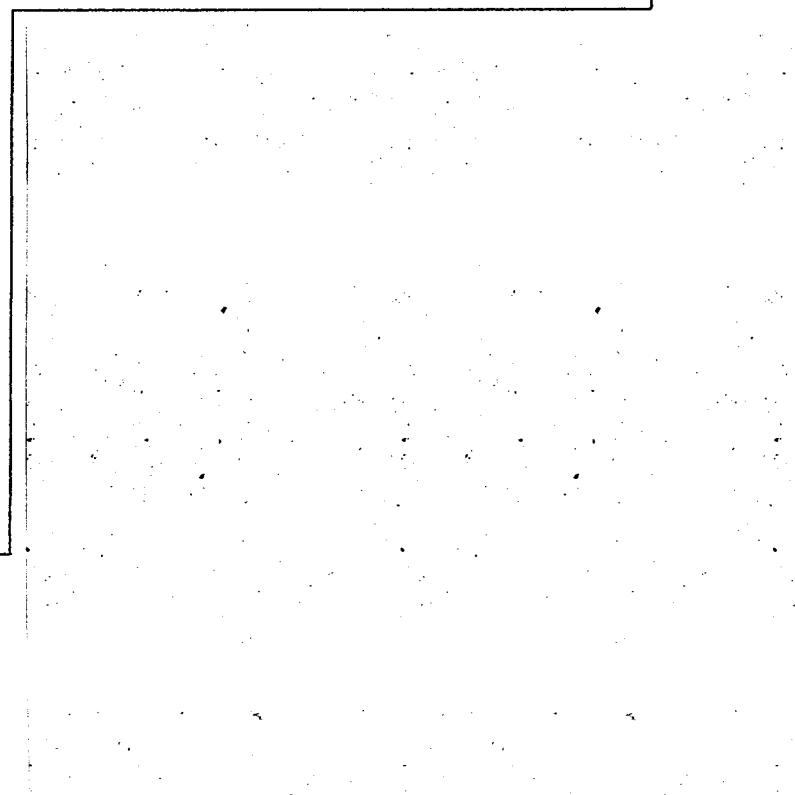
summer.

They would increase your bill by 2% every year for the next decade. Each increase is compounded on top of the previous increase. The cost to build the plants include more than \$400 million to cover unexpected costs during construction.

"Construction timeline contingencies are a standard part of any major construction project," Boomhower said.

SC Energy users have filed a lawsuit that went to the state Supreme . They say SCE&G should have to ask the Public Service Commission for approval any time an overage comes up during the building process. SCE&G says that would delay construction by six months every time, adding costs for the consumer.

And that's nother increase is approaching. In the next 18 months, SCE&G will increase your bill by 9.5% to recoup the \$700 million they have been required to spend on federally mandated





changes.

"These are government-mandated upgrades that we had to put into place to meet with clean air standards," he said.

Three public hearings are scheduled regarding the 9.5% increase: April 26 at 6pm at the Summerville Town Hall, April 27 at 6pm at 1142 Morrison Drive in Charleston and May 24 at 6pm at 101 Executive Center Drive in Columbia.

If you are having trouble paying your bill, SCE&G says they will try to work with you to figure out a payment plan, so you can continue to pay your bills in full, but over a longer period of time.

Call the phone number on your energy bill, or find additional details on the SCE&G Website.